THE LEGISLATIVE ASSEMBLY OF
BRITISH COLUMBIA

SELECT STANDING COMMITTEE ON CROWN CORPORATIONS

THIRD REPORT

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LEGISLATIVE ASSEMBLY
PROVINCE OF BRITISH COLUMBIA

February 16, 2004

To the Honourable,
The Legislative Assembly of the
Province of British Columbia
Victoria, British Columbia

Honourable Members:

I have the honour to present herewith the Third Report of the Select Standing Committee on Crown Corporations

The Third Report covers the work of the Committee from November 19, 2003 to February 9, 2004

Respectfully submitted on behalf of the Committee.

Ken Stewart, MLA
Chair

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COMPOSITION OF THE COMMITTEE

MEMBERS

Ken Stewart, MLA	Chair	Maple Ridge-Pitt Meadows
Harry Bloy, MLA	Deputy Chair	Burquitlam
Hon. Pat Bell, MLA		Prince George North
Hon. Susan Brice, MLA		Saanich South
Daniel Jarvis, MLA		North Vancouver-Seymour
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Dr. John Wilson, MLA		Cariboo North
Patrick Wong, MLA		Vancouver-Kensington

CLERK TO THE COMMITTEE

Craig James, Clerk Assistant and Clerk of Committees

COMMITTEE RESEARCHER

Jonathan Fershau, Committee Researcher

TERMS OF REFERENCE

On April 9, 2003 the Select Standing Committee on Crown Corporations was appointed to review the annual reports and service plans of British Columbia Crown Corporations.

In addition to the powers previously conferred upon the Select Standing Committee on Crown Corporations, the Committee be empowered:

(a) to appoint of their number, one or more subcommittees and to refer to such subcommittees any of the matters referred to the Committee;

(b) to sit during a period in which the House is adjourned, during the recess after prorogation until the next following Session and during any sitting of the House;

(c) to adjourn from place to place as may be convenient; and

(d) to retain personnel as required to assist the Committee,

and shall report to the House on matters referred to the Committee during the Third Session of the Thirty-seventh Parliament and the current session and as soon as possible or following any adjournment, or at the next following Session, as the case may be; to deposit the original of its reports with the Clerk of the Legislative Assembly during a period of adjournment and upon resumption of the sittings of the House, the Chair shall present all reports to the Legislative Assembly.

COMMITTEE REVIEW PROCESS

On April 9, 2003, the House instructed the Select Standing Committee on Crown Corporations to review the annual reports and service plans of B.C. Crown Corporations. In its oversight role, the main objectives of the Committee are to enhance the accountability and improve the public performance reporting of Crown Corporations.

During the fourth session of the 37th Parliament, the Committee held thirteen meetings, including a planning session on April 8 and an orientation seminar on April 30. For its third report, the Committee reviewed the service plans and annual reports of two Crown Corporations: the British Columbia Housing Management Commission (November 19) and the Oil and Gas Commission (November 26). Arising from its review of BC Hydro (June 11), the Committee also conducted a site visit with senior officials of Powerex, (a BC Hydro subsidiary) on January 14, 2004. The Committee deliberated on its report on January 14 and February 9, 2004.

As part of the review process, senior officers from the selected Crowns appeared before the Committee to present the corporation's latest annual report and service plan. To assess each Crown, committee members considered the 11 key reporting principles contained in the Committee's Guide to Operations (see Appendix A). Committee members also had the opportunity to discuss with these senior officers issues of concern or interest arising from the corporation's presentation to the Committee.

Since being reactivated in June 2002, the Committee has reviewed twelve Crown Corporations.

Minutes and transcripts of committee proceedings, as well as previous committee reports, are available at http://www.leg.bc.ca/cmt. The Committee would like to acknowledge the cooperation of the senior officers who appeared before the Committee and look forward to the opportunity to meet with them again for future review

REVIEW OF BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

On November 19, 2003, the Crown Corporations Committee met with the senior officers of the British Columbia Housing Management Commission (BC Housing) and reviewed the following documents:

- British Columbia Housing Management Commission Annual Report, 2002-2003
- British Columbia Housing Management Commission Service Plan 2003/2004 - 2005/2006

Committee Observations

In reviewing BC Housing, the Committee considered the 11 key reporting principles outlined in its *Guide to Operations* (see Appendix A). During their internal deliberations, committee members made the following observations:

1. The Committee was not satisfied that BC Housing's service plan adequately explained the Commission's mandate, core products and services, operating environment and major challenges. Members noted that BC *Housing's Service Plan 2003/2004 - 2005/2006* failed to identify all of the activities in which the Commission is involved, such as developing assessment protocols for building envelope failures in schools. Some Members felt that this particular activity was extraneous to its stated mandate.

2, 4-5. The Committee was not convinced that the service plan focuses on aspects of performance that are critical to BC Housing achieving its goals, objectives and intended results. Members observed that while BC Housing's service plan sets a goal of providing "client-focused service delivery for those most in need" (p. 14), no definition of "those most in need" is provided. Furthermore, the service plan lacks clear, concrete and consistent performance to test whether "those most in need" actually receive BC Housing's services.

3. The Committee found that BC Housing's goals and objectives were only partially defined and consistent with, and supportive of, the achievement of its mandate to "develop, administer and manage subsidized housing in British Columbia." In particular, Members were not persuaded that the goal of providing "sustainable local housing solutions," and the corollary objective of "respecting and supporting the expertise and local autonomy of community-based housing providers" (p. 15), adequately supported BC Housing's mandate.

6. The Committee concluded that the service plan did not satisfactorily demonstrate that intended results represent a reasonable/appropriate level of achievement given the historical performance, resources available, and performance of similar organizations. Specifically, Members found that BC Housing's service plan lacked both historical performance data as well as comparable performance data, from other jurisdictions. With respect to the disclosure of resources available, the Committee found that the service plan provided inadequate information relating to funding contributions from other levels of government.

7-9. The Committee was only partially satisfied that the service plan demonstrates how resources and strategies will influence results; that performance measures provided an integrated

and balanced picture of intended performance; and that details of key activities will achieve the intended results. In particular, Members noted that plan calls for only "20 percent of units that turn over in the public housing portfolio" targeted for families and individuals with complex housing and health needs by 2006 (p.14).

10. Members were not satisfied with the way that BC Housing's annual report and service plan performances set out clear comparisons between intended and actual results. For example, the Committee felt that service plan did not present enough detail on the contributions made by other partners in providing public housing. In particular, there was no discussion in either the annual report or services plan of how contributions made by the Government of Canada or regional housing authorities affect the operational mandate of BC Housing.

11. Members were also not satisfied that the relevant core principles enunciated by government policies were evident in the planning and operations of BC Housing. Members believe that BC Housing needs to complete the core review process as soon as possible as to better develop goals, objectives and performance measures in line with its mandate.

Issues for Future Review

Arising from its initial review, the Committee identified the following issues for ongoing monitoring and future review.

- defining core functions and responsibilities
- involvement in non-mandated activities
- BC Housing waitlist
- adequacy of current performance measures
- reporting of federal subsidies
- rent supplement program.

The Committee also canvassed the witness on the following issues: repair contingencies for non-profit housing options, expectations for future demand for social housing services, the higher administrative costs associated with non-profit housing management, and the level of subsidy provided to non-profits through reduced municipal development cost charges. In addition, the Committee requested that the CEO provide an overview of the average size of accommodation offered to social housing recipient households, as well as a list of non-profit organizations that have shown unusually high surpluses.

Defining core functions and responsibilities

Noting that BC Housing has yet to complete the core review process, Members asked the Chief Executive Officer (CEO) to speculate upon the future management direction of BC Housing. In particular, they inquired into BC Housing's future operational structure and the anticipated composition of BC Housing's board of commissioners following the core review process.

In response, the CEO informed the Committee that he envisions BC Housing continuing to be a facilitator that provides operational support to non-profit housing development organizations, while monitoring the use of public funds. With respect to governance, the witness responded that BC Housing has had a one-person interim board for the past two and a

half years. The witness did not offer suggestions as to the future composition of the board of commissioners following completion of the core review process.

The Committee notes that BC Housing's primary business lines fall into three categories: the management of existing public housing and group homes, the administration of housing programs and services, as well as the "facilitation of an increased supply of subsidized housing" (*Service Plan 2003/2004 - 2005/2006*, p. 4). Upon reviewing the oral and written testimony provided by the witnesses, the Committee is concerned about the lack of strategic planning within these business lines as to ensure that BC Housing meets its stated goals and objectives. In particular, the Committee questions whether the limited and uncompetitive public-private partnership model developed by BC Housing (p.6) truly allows for increased housing options while maintaining the best value for the taxpayers of British Columbia.

In light of the presentation made by BC Housing, the Committee felt that it could not properly evaluate BC Housing's goals and objectives. The Committee urges BC Housing to complete the core review process as to affirm that its core functions and responsibilities are suitably articulated and to ensure that BC Housing is a modern, relevant and affordable organization.

Involvement in non-mandated activities

During the presentation to the Committee, the CEO stated that the non-profit portfolio BC Housing contains approximately 270 social housing buildings with building envelope failures. BC Housing does not own these buildings; rather it is responsible for providing both technical advice and the funds to repair the buildings. The estimated cost to repair these buildings is $150 million over eight years.

In addition, the CEO stated that BC Housing is recognized as "one of the leaders in the building envelope repair business." BC Housing is presently coordinating repairs for both Canada Mortgage and Housing Corporation (CMHC), as well as providing technical assessments for water-damaged schools to the Ministry of Education on a cost recovery basis.

Committee members noted that in providing these services, BC Housing is 'stacking the deck' against qualified firms operating in the private sector. As there is no mention of these repair services within either BC Housing's annual report or service plan, the Committee felt that they could not effectively evaluate whether value for money is being obtained. Furthermore, the Committee remains unconvinced that the provision of these services fits within the Commission's vision of "working in partnership to create housing options for those most vulnerable in our communities."

BC Housing waitlist

Waitlist priorities

Several Members inquired into how BC Housing establishes its waitlists to ensure that the most vulnerable are provided with the first opportunities to access social housing. In particular, the Committee sought an explanation as to how BC Housing chooses between different, and often difficult, cases.

In response, the CEO answered that clients are allocated spaces in either the non-profit or public housing stock, "based on their need"- defined as medical need, income level, and/or

mental health. With respect to public housing unit vacancies, BC Housing first assesses an applicant's eligibility for housing and then assigns housing based on a points system.

Concerning non-profit or co-operative housing spaces, the witness responded that each housing provider signs an agreement with BC Housing that defines the eligibility and selection process for the particular unit. Housing providers can use a chronological system, a needs-based system, or a combination of time and need. Several developments are designed to target specific clientele, such as group homes or housing for individuals with a mental illness. In these cases, a sponsoring ministry or a mental health team may work with the housing provider to make referrals.

Waiting times

Members asked the CEO of BC Housing to provide a regional breakdown on the number of households waiting for social housing space or assistance. They learned that as of September 2003, 11,442 households were on BC Housing's waitlist for available housing. However, large regional discrepancies are present. For example, the Victoria office had a waitlist of 1,200 households; the southern interior office had 203 households, but only 12 households were listed in the northern interior region.

Technology application for waitlists

In a written question, Members asked the witness to elaborate upon the use of technological applications as a way to better link potential clients to available housing options. They raised this matter because their constituents frequently note that applying to BC Housing for public housing and/or rental supplements is a frustrating and time-consuming process.

In a written response, the CEO of BC Housing outlined BC Housing's use of information technologies and information management to match the supply of provincial housing stock to client demand. BC Housing is presently working in partnership with the BC Non Profit Housing Association, the Co-operative Housing Federation of BC, as well as housing providers and organizations to develop a centrally-based, on-line database which will link applicants to housing providers. The database will allow households in search of affordable housing to submit a single a single application form to all registered housing providers. However, the witness also noted that not all housing providers are currently listed in the central database.

Adequacies of current performance measures

Measuring service delivery to the most vulnerable

Several members commented on the lack of a clear link between the performance measures presented in BC *Housing's Service Plan 2003/2004-2005/06* and the Commission's stated goals and objectives. The Committee particularly questioned the value of the performance measures designed to evaluate BC Housing's third goal:

> *BC Housing delivers a range of housing programs and services that assist people in transition from poverty to self-sufficiency. Programs and services include financial, administration and technical assistance provided to the non-profit and co-operative housing sectors as well as targeted rent assistance provided to households in the private rental market." (Service Plan 2003/2004 - 2005/2006, p. 15).*

Committee members noted that only one performance measure, "assistance to households in the private rental market," (p. 15) pertains to service delivery options provided by the private sector. Members found that this measure did not provide enough information on whether the most vulnerable are receiving the benefits, what criteria is used to allocate benefits, or the geographical distribution of the rental supplements.

Evaluating success

Another problematic performance measure identified by the Committee pertains to BC Housing's claim that the organization obtained 99 percent of its objective to provide housing assistance to British Columbians in 2003/2003. First, neither BC Housing's annual report nor the service plan lists this as a measurable outcome. Rather this target appears to be an amalgam of the performance measures *Households Assisted Through Access to Non-Profit and Co-op Housing and Assistance to Households in the Private Rental Market* (BC Housing Annual Report, p. 31).

Second, when these measures are combined, the CEO asserted that BC Housing assisted 46,742 households as of March 2003. However, the Committee noted that BC Housing currently has a waitlist of 11,442 households-that is, a list of people who require BC Housing's assistance in obtaining "Sustainable Local Housing Solutions." Therefore, the Committee questions whether BC Housing's choice of measures provides relevant statistics and adequately addresses the supply of public housing and assistance to client demand for these services.

In a written response, the CEO stated that "the measures and targets set out in the service plan are based on the funding that is available under these programs, with success' in meeting these targets providing us with a measure of the extent to which we have been successful in contributing to *sustainable local housing solutions*."

Comparative data

Committee members noted that BC Housing's fourth goal is to be "a high performing organization" (p. 16). While performance measures such the "level of voluntary training undertaken by the workforce" and "high levels of perfect attendance" are laudable, the Committee would prefer to see how BC Housing's performance (with respect to both services provided and internal staffing operations) compares to organizations of similar mandate and operational size.

Reporting of federal subsidies

An observation made by several committee members is that BC Housing's service plan does not adequately show the level of contribution made by the federal government to BC Housing's core business activities. Members then expressed concerns that the exclusion of federal subsidy information distorted the financial picture, particularly with respect to the economic rationale for the development of non-profit/co-operative housing. In addition, when the CEO was questioned on BC Housing's plan for risk management with respect to wages, Members noted that BC Housing had initially neglected to indicate that the organization expects that federal government will contribute 50 percent of any wage increase.

The CEO responded that the federal and provincial governments have signed the Canada/BC Affordable Housing Agreement, which will provide BC with $88.7 million over five years to

help increase affordable housing in the province. This funding is being directed as capital grants to two programs: the Provincial Housing Program and Independent Living British Columbia.

In addition, the witness reported that BC Housing manages the housing stock built by Canada Mortgage and Housing Corporation prior to 1994. BC Housing receives funds from the CMHC for expenses incurred under various cost shared programs. With respect to this income stream, BC Housing is accountable to CMHC to ensure federal funds are disbursed in compliance with various operating agreements.

With respect to wages, the CEO stated that the BC Housing's presentation focused on the potential impacts on the provincial budget only. The witness stated that if wage increases were to occur, BC Housing anticipates that the federal government would be an equal partner in funding a wage increase.

In response, Members stated that BC Housing needs to accurately account for the level of *both* provincial and federal, in order to properly assess whether investments in the non-profit units provide the most efficient use of government funds *and* to ensure that BC Housing is accounting for its administrative capacity in an open and transparent manner.

Rent supplements program

Members inquired as to why BC Housing was pursuing partnerships to develop non-profit housing-at an average cost of roughly $5,000 per unit per year-when the rental supplement program appeared to offer equivalent provision for housing persons in need for approximately $1,950 per unit. Members questioned whether the choice made by BC Housing to expand partnerships with non-profits was an effective and efficient delivery mechanism for delivering housing assistance.

The witness responded that the primary rental supplement program, Shelter Aid for Elderly Renters (SAFER), provides "very shallow benefits," with an average subsidy to a recipient of $1,524 per year. The SAFER program caps the level of rental subsidy at $6,240 per year, regardless of a client's income or rental costs. While non-profit or public housing programs limit a client's maximum rent payments to 30 percent of their income, the SAFER program does not have such a ceiling. The witness also responded that "generally, SAFER recipients pay more than 50 percent of their income on rent."

Subsequently, in a written response, the CEO elaborated that the difference in costs between the rental supplement programs and purpose-built, non-profit and co-operative housing results from the debt associated with new construction. The witness stated that there has been little private rental housing constructed for lower income households and that there exists a need for these kinds of housing arrangements.

Committee Recommendations:

Recommendation No. 1:

The Committee recommends that the British Columbia Housing Management Commission implement the Committee's observations and suggestions for improvements in the Commission's future annual reports and service plans - in particular with respect to all eleven reporting principles as outlined under the "Committee's Observations" section.

Recommendation No. 2:
The Committee recommends that the British Columbia Housing Management Commission complete the core review process as soon as possible, so as to identify and confirm government's core roles and responsibilities and to ensure that BC Housing is a modern, relevant, and affordable organization.

Recommendation No. 3:
The Committee recommends the British Columbia Housing Management Commission reassess whether providing at cost, 'technical expertise' on building envelope failure is an efficient allocation of resources, given the Commission's stated vision of "creating housing options for those most vulnerable in our communities." Furthermore, the Committee notes that the provision of this service is not specified within either the goals or objectives put forward by BC Housing.

Recommendation No. 4:
The Committee recommends that the British Columbia Housing Management Commission continue with the development of central registry of social housing providers, with an emphasis placed on ensuring that those most in need are given priority.

Recommendation No. 5:
The Committee recommends that the British Columbia Housing Management Commission review the adequacy of its goals, objectives and performance measures. In particular, the Committee recommends that BC Housing reassess its current performance measures as to

a) ensure that they are accurate measures of BC Housing's stated objectives and goals
b) determine whether the targets selected are realistic benchmarks for outstanding performance
c) provide greater detail on how BC Housing is working with the private sector to promote service delivery options
d) show how BC Housing is expanding housing options for those most vulnerable.

Recommendation No. 6:
The Committee recommends that the British Columbia Housing Management Commission's future annual reports and service plans contain performance measures that track BC Housing's process against organizations of similar mandate and/or operational size in other jurisdictions.

Recommendation No. 7:
The Committee recommends that the British Columbia Housing Management Commission, in its future annual reports and service plans, clearly account for how the $88.7 million obtained through the *Canada/British Columbia Affordable Housing Agreement* is expended.

Recommendation No. 8:
The Committee recommends that the British Columbia Housing Management Commission assess whether expanding investment in the rental supplement program would provide both greater value to the British Columbia taxpayer and greater assistance to those most in need, than its current focus on investing in non-profit housing stock.greater value to the British Columbia taxpayer and greater assistance to those most in need, than its current focus on investing in non-profit housing stock.

REVIEW OF OIL AND GAS COMMISSION

On November 26, 2003, the Crown Corporations Committee met with senior officers of the Oil and Gas Commission (the Commission) and reviewed the following documents:

- Oil and Gas Commission, *Annual Report 2002-2003*
- Oil and Gas Commission, *Service Plan, April 1, 2003 to March 31, 2006*
- Oil and Gas Commission, *2002-2005 Service Plan*

Committee Observations

In reviewing the Oil and Gas Commission, the Committee considered 11 key reporting principles outlined in its *Guide to Operations* (see Appendix A). During their internal deliberations, committee members made the following observations:

1, 3. The Committee was satisfied that the plan adequately explains the Commission's mandate, core products and services, operating environment and major challenges. In addition, the Committee found that the stated goals and objectives are well defined, consistent with, and supportive of, the achievement of the Commission's mandate. Some Members, though, expressed concern that possible risks facing the Commission are understated with the *Service Plans*.

2, 4-5. The Committee was only partly satisfied that the service plan focuses on aspects of performance that are critical to the Commission achieving its goals, objectives and intended results. In particular, Members sought an explanation as to why the Oil and Gas Commission is not pursuing a more results- and performance-based regulatory regime, given the expertise in the industry.

6. The Committee was partially satisfied that the plan demonstrated satisfactorily that the intended results represent a reasonable/appropriate level of achievement, given the Commission's historical performance, resources available, and performance of similar organizations. In particular, the Committee noted that greater emphasis in developing comparative performance measures is required to put the operations of the Commission in context vis-à-vis organizations of similar size and/or mandate.

7, 8. The Committee was only partially satisfied that the plan demonstrates how resources and strategies will influence results, and that financial and non-financial performance measures gave an integrated and balanced picture of intended performance. Members noted that several of the performance measures were inadequately specified. The lack of clear, measurable, concrete and consistent performance measures made it challenging to ascertain the intended level of performance for the planning period

9. The Committee was only partially satisfied that planned contribution of key activities to intended results or goals/objectives is adequately demonstrated.

10. The Committee was only partially satisfied that the Oil and Gas Commission's actual and intended levels of performance-as established in the Commission's *Annual Report* and *Service Plan*- are set out in clear comparison. The Committee requests that the Commission's future

annual reports reflect the additional performance measures included in the Commission's *2003-2006 Service Plan*, as well as the suggestions contained within this report.

11. The Committee was generally satisfied that the core principles enunciated by government policies are evident in the planning and operations of the Oil and Gas Commission. Members, however, did express some disappointment that the Commission was not more committed to pursuing greater development to a results- and performance-based regulatory regime. In addition, Members requested that the Commission work closely with the relevant oversight ministries to ensure that the net increase in employment within the Commission for regulatory oversight is driven by industry demands.

Issues for Future Review

Arising from its initial deliberations, the Committee identified the following issues for ongoing monitoring and future review:

- current performance measures
- promoting a results- and performance-based regulatory regime
- environmental standards
- projected staffing increases
- board oversight
- budget surplus

The Committee also solicited information from the witnesses on the following issues: permitting and professional sign-off, board expenses, and project selection for the *Science and Community Environmental Knowledge Fund*.

Current performance measures

Selected performance measures

The Committee recognized that the Oil and Gas Commission has made significant improvements in expanding the number of performance measures in its 2003-2006 service plan. In particular, the Committee was pleased to see the dramatic reduction in the number of working days for project approvals.

However, Members found the Commission's linkages between objectives and performance measures often awkward and difficult to follow. They also thought that many of the performance measures offered little in the way of meaningful and comparable targets. For example, Members noted that one measure, consultations completed with written responses (p. 13), does little to advance the stated objective to "enhance our collaborative approach with First Nations." (p. 13). In their view, the measure is unsatisfactory because:

a) it does not indicate how many requests for consultations were made;
b) it fails to indicate whether the consultations were deemed favourable or unfavourable by the applicants; and
c) it is counter to the objective, in that one would expect the need for written consultations with First Nations to decrease with "increasing satisfaction of First Nations" (p. 13).

Committee Members noted that several of the indicators provided under Goal B -providing resources to meet the Commission's duty and provide benefit to BC (p. 14)-should be made into year-over-year performance measures. From their perspective, the inclusion of additional and meaningful performance measures would bolster the public's ability to scrutinize the organization's successes in delivering upon its goals and objectives.

Cross-jurisdictional comparisons

The Committee also found that the Oil and Gas Commission's service plan lacked comparisons to organizations with similar mandates and/or operational size. In particular, Members suggested that the Commission should develop performance measures that indicate BC's percentage of North American investment in oil and gas (listed as an indicator on p. 14). Furthermore, the Commission's performance measures pertaining to the goal of "becoming the employer of choice with well-trained and committed staff," could be augmented by comparing the organization's performance vis-à-vis other provincial Crowns or similar-sized organizations also operating in northern British Columbia. Members believe the unique challenges facing the Commission-with respect to retention of staff-could adequately be incorporated within the Commission's forward outlook.

Baseline client satisfaction levels

The Committee was somewhat surprised to learn that the Commission had yet to develop a baseline level of client satisfaction for the objective of "continuing to improve efficiency and effectiveness" (p.12).

In response, the Commissioner stated that the Commission had approached BC Stats to conduct a client survey, but found that the costs were "significant." Furthermore, the Commission has received direction from its board to focus first on improving the process in terms of applications and key deliverables at this time.

While Members respect that the Commission is a relatively small organization, they did not think it is possible to accurately assess whether the Commission's goals are being achieved without an established starting point for client satisfaction. While anecdotal information of improved client satisfaction indicates a positive trend, the Committee would still like to see the Oil and Gas Commission establish a baseline to ensure that activities undertaken to improve client satisfaction are creating the desired effects.

In response to the suggestions made by Members concerning performance measures, the Commissioner stated that he found the comments "useful," in that it will cause the Commission to "live up to our vision statement and to innovate and improve the performance measures and indicators that we use."

Promoting a results-and performance-based regulatory regime

With respect to the Commission's goal of "moving to a results and performance-based regulatory system," Members observed that only a modest targets have been set for the "percentage of applications that are results-based" (p.11). Members inquired whether the Commission should pursue a target more aggressive than the proposed 50 percent by 2005/06, given the industry's current high level of exploratory and operational compliance (respectively, 86 and 97 percent, *Annual Report 2002-2003*, p. 38).

The Commissioner responded that the target was set at 50 percent, given the diversity in size of company operations in the industry. Whereas large companies tend to have the resources to ensure compliance under a results-based performance regime, smaller companies-which may lack field expertise-request a prescriptive regulatory regime. As the smaller companies demonstrate the capacity to deliver under a performance-based regime, they too will be given the opportunity to work under a performance-based regulatory program. In addition, the Commissioner stated that the Commission is empowering accredited individuals employed by the companies (such as professional engineers, foresters, and biologists) to certify due diligence is carried out under the results-based process.

Environmental standards

Several committee members inquired about the level of collaborative enforcement between the Oil and Gas Commission and the Department of Fisheries and Oceans (DFO). In particular, they asked whether the current level of DFO enforcement was placing an undue and unwarranted constraint on industrial development. Furthermore, committee members-referencing a recent environmental audit conducted by the Commission- requested that the Commissioner comment on whether regulations pertaining to stream-crossing construction were overly arduous, given the natural freeze/thaw cycle present in northern BC.

In response, the Commissioner declared that the Commission works closely with the DFO in order to ensure that only one 'song is sung' to industry concerning environmental protection. The Commission is in frequent contact with the DFO offices in Prince George and Vancouver, in an effort to develop a collaborative, "single window" approach to permitting.

The Commissioner then stated that the vast majority of stream crossings are properly designed to prevent "material injurious to fish" from entering waterways. He then reported that complaints arising from poor construction originate as much from practitioners within the oil and gas industry as from citizens. The Commissioner affirmed that his role as regulator is to ensure that there exists a level playing field for all people in the industry. The Commission only cites companies who fail to use the best possible means available to ensure that environmental standards are maintained.

Projected staffing increases

Noting that the Commission is looking to increase the number of employees from 125 to 140, some Members observed that the Commission has achieved many of its performance measures, while delaying proposed employment expansion in 2002-2003. Members made several inquiries into the justification for the increase in full-time equivalents, the cost associated with a ramp-up in staffing levels, and the prospects for a commensurate decline in employment in overseeing ministries.

The Commissioner replied that the delay in hiring was due to challenges associated with attracting and retaining qualified candidates to work in northern British Columbia. The witness also stated that the delay in staffing had saved the Commission an estimated $1.5 million. However, the Commissioner indicated that if the present level of staffing was maintained, the Commission would face challenges in meeting the needs of the expanding industry. The witness further stated that the Commission requires more staff in response to a number of the shifts that government has made in royalty opportunities. The costs associated

with adding 15 people to the staff would be approximately $1.5 million, or $100,000 per full time equivalent.

Additionally, the Commissioner stated that while the hiring of new staff represents a full time equivalent expansion of 12 percent, the oil and gas sector presently growing at a rate of 40 to 50 percent a year.

Board oversight

Committee members asked several questions pertaining to the composition and functions of the Commission's Board of Directors. In particular, the Committee requested information pertaining to the Board's involvement in establishing the Commission's service plans, as well as efforts to revise the current governance structure.

The Commissioner notified the Committee that the current board consists of three directors: the Deputy Minister of Energy and Mines, the Oil and Gas Commissioner, as well as an individual citizen appointed by government. The current structure of the Board was implemented in August 2003.

Under this new configuration, the Board has much more active involvement in ensuring the Commission is responsive to the anticipated growth of the industry, as well as promoting a leadership approach in order to ensure that the Commission meets its specified targets. In addition, the Commissioner affirmed that the Board has provided "some broad guidance" in drafting the Commission's next generation service plan-including establishing "challenging budget guidance…(as to) demonstrate continued improvement in terms of efficiency and effectiveness."

The Chair of the Board of Directors then informed the Committee that the Commission's entire operation is currently under review in order to enhance "single window permitting" within the oil and gas sector. The issue of governance structure would likely fall under the purview of the review; however, no major changes to the structure and composition of the Board are anticipated within the next 18 to 24 months.

The Committee suggests that the Oil and Gas Commission look to expand the current membership of the Board of Directors expeditiously as to ensure the principles of good governance are maintained. The Committee recommends that the Board expand its membership to reflect the broader community, as to ensure the Board remains both effective and functional.

Budget surplus

Several committee members requested explanations as to the accumulation of a sizable surplus in the 2002/03 fiscal year. They observed that the surplus is a result of renegotiations with First Nations, rather than prudent fiscal management. Some Members also expressed concerns that given this surplus, the Commission may attempt to expand its functions and staffing levels, rather than commit to developing an efficient, results-based regulatory regime.

The Commissioner responded that the surplus for 2002/03 was the product of several factors. With respect to expenses, the Commission negotiated three Memorandums of Understanding and four Agreements with First Nations in the Treaty 8 area, thus allowing the Commission to reduce its annual payments to First Nations by approximately $2.571 million. Second, the

Commission delayed the hiring of new staff, which reduced expenses by another $1.5 million. In terms of revenues, as the industry experienced a high level of growth, fees and levies collected increased, thus contributing additional revenues of approximately $1.244 million. In total, the Commission had a net surplus of $3.067 million for fiscal 2002/03, and a total surplus of $6.840 million.

The Committee was informed that the Commission is entirely funded by fees and levies raised from industrial activity. The witness also reported that Commission was both reducing the quantity of for-fee services as well as reviewing the current fee structure. However, the Commissioner noted that the general advice he was receiving from industry was that a significant surplus was acceptable-as long as fees were stable and provided that the Commission used this surplus to respond quickly to the rapidly changing circumstances in the oil and gas sector.

Committee Recommendations:

Recommendation No. 9:
The Committee recommends that the Oil and Gas Commission implement the Committee's observations and suggestions for improvements in the Corporation's future annual reports and service plans - in particular with respect to key reporting principles #6, 7, 8, and 10, as outlined under the "Committee's Observations" section.

Recommendation No. 10:
The Committee recommends that both the Oil and Gas Commission and its Board of Directors revisit the performance measures contained in the Commission's 2003-2006 service plan, so as to ensure that the performance measures:

a) reflect the Commission's stated goals and objectives,
b) provide meaningful quantitative data for year-over-year comparisons,
c) set targets for success over and above the Commission's historical trends.

Recommendation No. 11:
The Committee recommends that the Oil and Gas Commission and its Board of Directors provide comparative performance data in future annual reports and service plan of agencies with a similar mandate and / or organizational size. In particular, the Committee requests that the Oil and Gas Commission develop performance measurements that would

a) indicate BC's performance in the oil and gas sector vis-à-vis other jurisdictions,
b) compare British Columbia's streamlined regulatory regime to other jurisdictions in terms of average approval time,
c) track the Oil and Gas Commission's success in retaining staff in contrast to other organizations based in northern British Columbia/Canada.

Recommendation No. 12:
The Committee recommends that the Oil and Gas Commission find a service provider to develop, conduct, and produce a report detailing the Commission's current level of client satisfaction. The Commission should look to either outsourcing this survey, or hiring a qualified person in conjunction with its staff expansion.

Recommendation No. 13:
The Committee recommends that the Oil and Gas Commission continues to work with the Department of Fisheries and Oceans to develop a single, provincially-controlled, permitting system that maintains environmental safeguards, while allowing the oil and gas sector to reach its potential.

Recommendation No. 14:
With respect to anticipated increases in staffing, the Committee recommends that the Oil and Gas Commission critically evaluate the need for each new position, so as to ensure that each hiring serves to enforce a results-and performance-based regulatory regime. In addition, the Commission should work closely with relevant oversight ministries to eliminate duplicity in services as the Commission moves to a single window permitting process.

Recommendation No. 15:
The Committee recommends that the Oil and Gas Commission affirm its commitment to assess the composition and functions of the Board of Directors, in conjunction with its overall assessment of its operations. In particular, the Committee recommends that the Board expand its membership to reflect the broader community, as to ensure that the fundamentals of good governance are maintained.

Recommendation No. 16:
The Committee recommends that the Oil and Gas Commission pursue sound fiscal policies to ensure its budgetary surplus does not burden the industry with excessive fees and levies.

SUMMARY OF RECOMMENDATIONS

The Committee recommends:

1. that the British Columbia Housing Management Commission implement the Committee's observations and suggestions for improvements in the Commission's future annual reports and service plans - in particular with respect to all eleven reporting principles as outlined under the "Committee's Observations" section.

2. that the British Columbia Housing Management Commission immediately complete the core review process, so as to identify and confirm government's core roles and responsibilities and to ensure that BC Housing is a modern, relevant, and affordable organization.

3. that the British Columbia Housing Management Commission reassess whether providing at cost, 'technical expertise' on building envelope failure is an efficient allocation of resources, given the Commission's stated vision of "creating housing options for those most vulnerable in our communities." Furthermore, the Committee notes that the provision of these services is not specified within either the goals or objectives put forward by BC Housing.

4. the British Columbia Housing Management Commission continue with the development of central registry of social housing providers, with an emphasis placed on ensuring that those most in need are given priority.

5. that the British Columbia Housing Management Commission review the adequacy of its goals, objectives and performance measures. In particular, the Committee recommends that BC Housing reassess its current performance measures as to

   a) ensure that they are accurate measures of BC Housing's stated objectives and goals

   b) determine whether the targets selected are realistic benchmarks for outstanding performance

   c) provide greater detail on how BC Housing is working with the private sector to promote service delivery options

   d) show how BC Housing is expanding housing options for those most vulnerable.

6. that the British Columbia Housing Management Commission's future annual reports and service plans contain performance measures that track BC Housing's process against organizations of similar mandate and/or operational size in other jurisdictions.

7. that the British Columbia Housing Management Commission, in its future annual reports and service plans, clearly account for how the $88.7 million obtained through the *Canada/British Columbia Affordable Housing Agreement is expended.*

8. that the British Columbia Housing Management Commission assess whether expanding investment in the rental supplement program would provide both greater value to the British Columbia taxpayer and greater assistance to those most in need, than its current focus on investing in non-profit housing stock.

9. that the Oil and Gas Commission implement the Committee's observations and suggestions for improvements in the Corporation's future annual reports and service plans - in particular with respect to key reporting principles #6, 7, 8, and 10, as outlined under the "Committee's Observations" section.

10. that both the Oil and Gas Commission and its Board of Directors revisit the performance measures contained in the Commission's 2003-2006 service plan, so as to ensure that the performance measures:

    a) reflect the Commission's stated goals and objectives,

    b) provide meaningful quantitative data for year-over-year comparisons,

    c) set targets for success over and above the Commission's historical trends.

11. that the Oil and Gas Commission and its Board of Directors provide comparative performance data in future annual reports and service plan of agencies with a similar mandate and / or organizational size. In particular, the Committee requests that the Oil and Gas Commission develop performance measurements that would

    a) indicate BC's performance in the oil and gas sector vis-à-vis other jurisdictions,

    b) compare British Columbia's streamlined regulatory regime to other jurisdictions in terms of average approval time,

    c) track the Oil and Gas Commission's success in retaining staff in contrast to other organizations based in northern British Columbia/Canada.

12. that the Oil and Gas Commission find a service provider to develop, conduct, and produce a report detailing the Commission's current level of client satisfaction. The Commission should look to either outsourcing this survey, or hiring a qualified person in conjunction with its staff expansion.

13. that the Oil and Gas Commission continues to work with the Department of Fisheries and Oceans to develop a single, provincially-controlled, permitting system that maintains environmental safeguards, while allowing the oil and gas sector to reach its potential.

14. that, with respect to anticipated increases in staffing, the Oil and Gas Commission critically evaluate the need for each new position, so as to ensure that each hiring serves to enforce a results-and performance-based regulatory regime. In addition, the Commission should work closely with relevant oversight ministries to eliminate duplicity in services as the Commission moves to a single window permitting process.

15. that the Oil and Gas Commission affirm its commitment to assess the composition and functions of the Board of Directors, in conjunction with its overall assessment of its operations. In particular, the Committee recommends that the Board expand its membership to reflect the broader community, as to ensure that the fundamentals of good governance are maintained.

16. that the Oil and Gas Commission pursue sound fiscal policies to ensure its budgetary surplus does not burden the industry with excessive fees and levies.

APPENDICES

Appendix A: "Key Reporting Principles" considered by the Committee

Question	Yes	Partly	Not at All	Comments
1. Does the plan adequately explain the organization's mandate, core products and services, operating environment and major challenges?				
2. Does the plan focus on aspects of performance that are critical to the organization achieving its goals, objectives and intended results?				
3. Are the goals and objectives well-defined and consistent with and supportive of the achievement of the mandate?				
4. Is the intended level of performance for the planning period specified?				
5. Are the intended results clear, measurable, concrete and consistent with goals or objectives?				
6. Has the plan demonstrated satisfactorily that intended results represent a reasonable/appropriate level of achievement given: • historical performance, • resources available to the organization, and • performance of similar organizations?				
7. Does the plan demonstrate how resources and strategies will influence results?				
8. Are financial and non-financial performance measures provided to give an integrated and balanced picture of intended performance?				
9. Is the planned contribution of key activities to intended results or goals/objectives adequately demonstrated?				
10. Are actual (Annual Report) and intended (Service Plan) performances set out in clear comparison?				
11. Are the relevant core principles enunciated by Government policies evident in the planning and operations?				

Other General Comments:

Appendix B: Schedule of Crown Corporations Reviewed

Crown Corporation reviewed	Date of initial review
Third Report, 4th Session, 37th Parliament - tabled February 2004	
Oil and Gas Commission	November 26, 2003
British Columbia Housing Management Commission	November 19, 2003
Second Report, 4th Session, 37th Parliament - tabled November 2003	
Organized Crime Agency of British Columbia	October 8, 2003
Homeowner Protection Office	July 8, 2003
BC Hydro	June 11, 2003
British Columbia Utilities Commission	May 28, 2003
Insurance Corporation of British Columbia	May 8, 2003
First Report, 4th Session, 37th Parliament - tabled May 2003	
British Columbia Securities Commission	October 30, 2002
First Report, 3rd Session, 37th Parliament - tabled November 2002	
BC Transit	October 2, 2002
Tourism BC	October 2, 2002
British Columbia Lottery Corporation	September 4, 2002
BC Buildings Corporation	July 8, 2002